

**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**Funding Board**  
**May 1, 2009**

**ESTIMATION OF**  
**TOTAL AND NET LOTTERY PROCEEDS**  
**FOR FISCAL YEARS ENDING**  
**JUNE 30, 2009 and 2010**

**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS**  
**FOR FISCAL YEAR ENDING JUNE 30, 2009**  
(in Millions)

	<b>Actuals at March 31, 2009</b>	<b>Low Range for Fiscal Year 2009</b>	<b>High Range for Fiscal Year 2009</b>
Gross Revenues	\$808	\$1,091	\$1,127
<b>Total Proceeds</b>	<b>\$757</b>	<b>\$1,024</b>	<b>\$1,059</b>
Expenses:			
Direct Expenses:			
Prize Winnings	\$468	\$639	\$661
Retailer commissions	\$53	\$71	\$74
Vendor Fees	\$16	\$22	\$23
Non Direct Expenses	\$22	\$30	\$30
<b>Total Expenses</b>	<b>\$559</b>	<b>\$762</b>	<b>\$787</b>
<b>Lottery for Education Account</b>	<b>\$198</b>	<b>\$262</b>	<b>\$272</b>
<b>After-School Programs Special Account</b>	<b>\$11</b>	<b>\$14</b>	<b>\$15</b>
<b>Total Education Funding</b>	<b>\$209</b>	<b>\$276</b>	<b>\$287</b>

## SUMMARY INFORMATION:

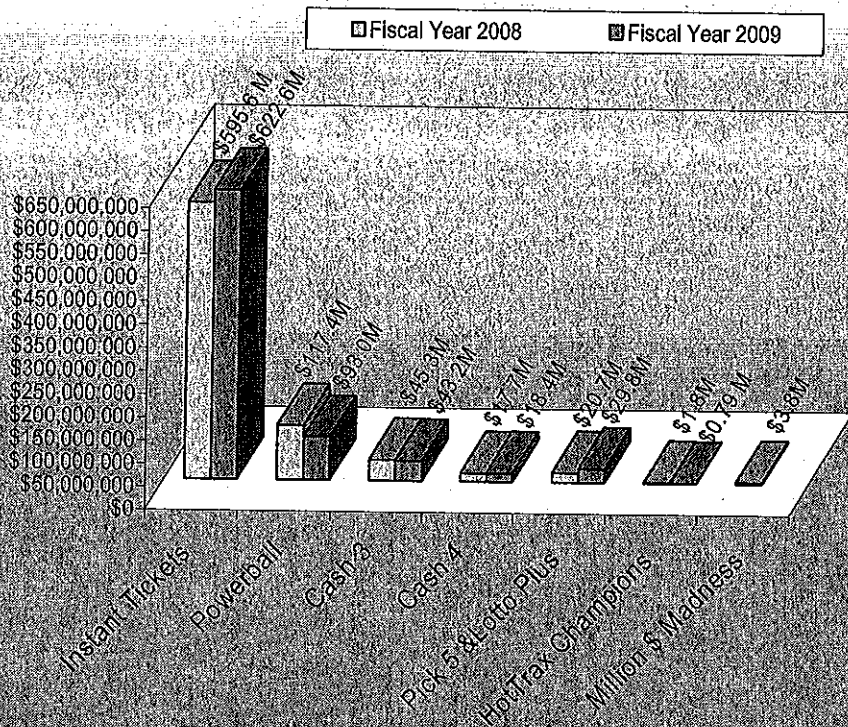
Fiscal Year 2009 as of March 31, 2009

### Gross Sales:

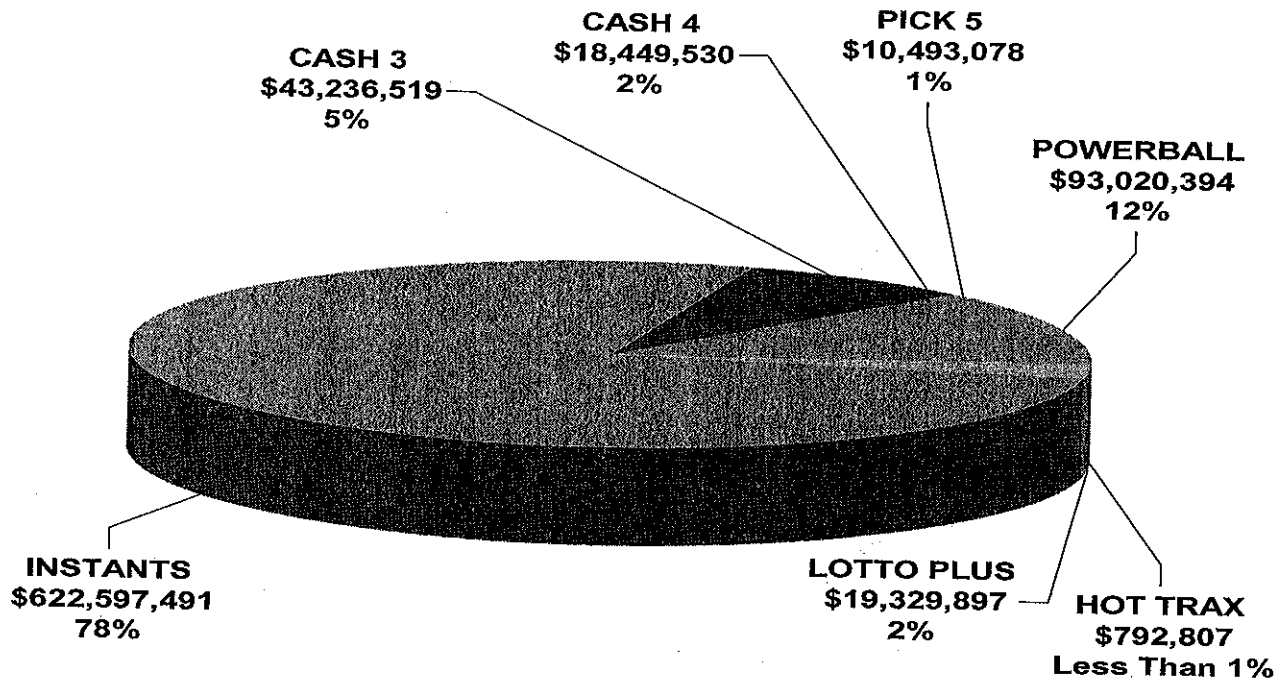
\* \$807.9 Million as of March 31, 2009  
Weekly Average of \$20.6 Million

\* \$802.5 Million as of March 31, 2008  
Weekly Average of \$20.5 Million

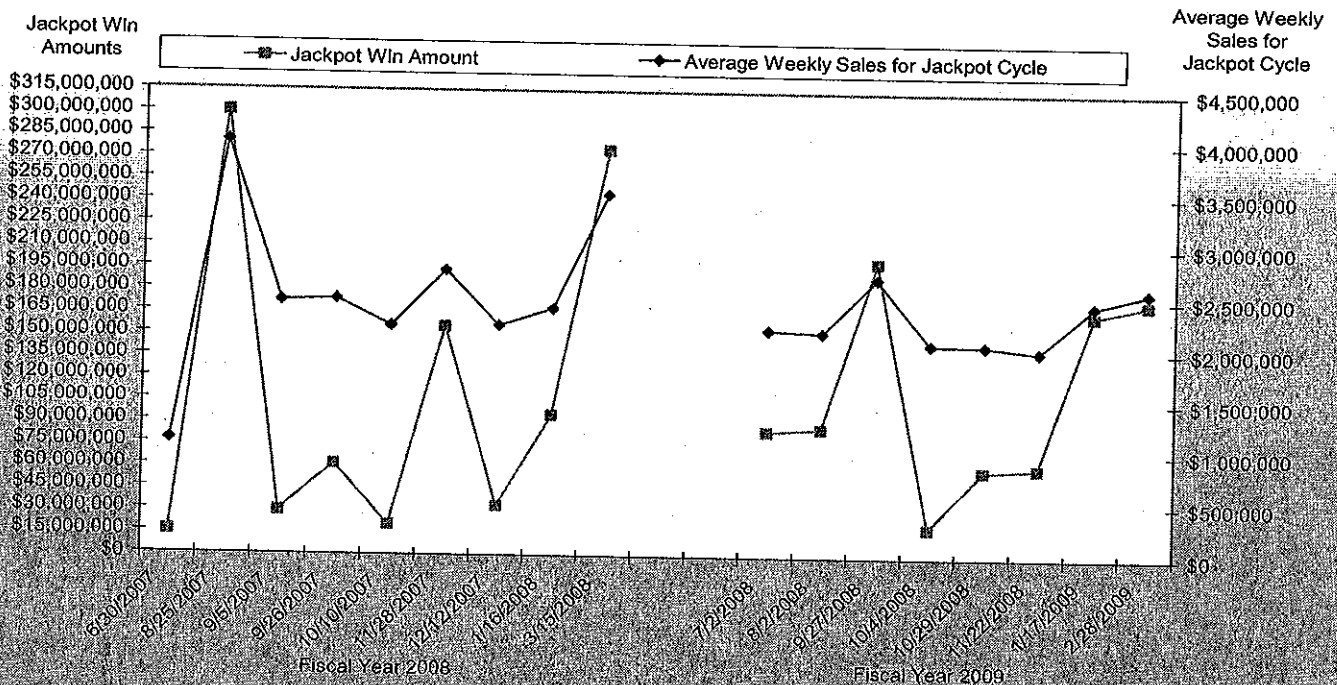
**Tennessee Education Lottery  
Product by Product Comparison  
For nine months ended March 31, 2008 and 2009**



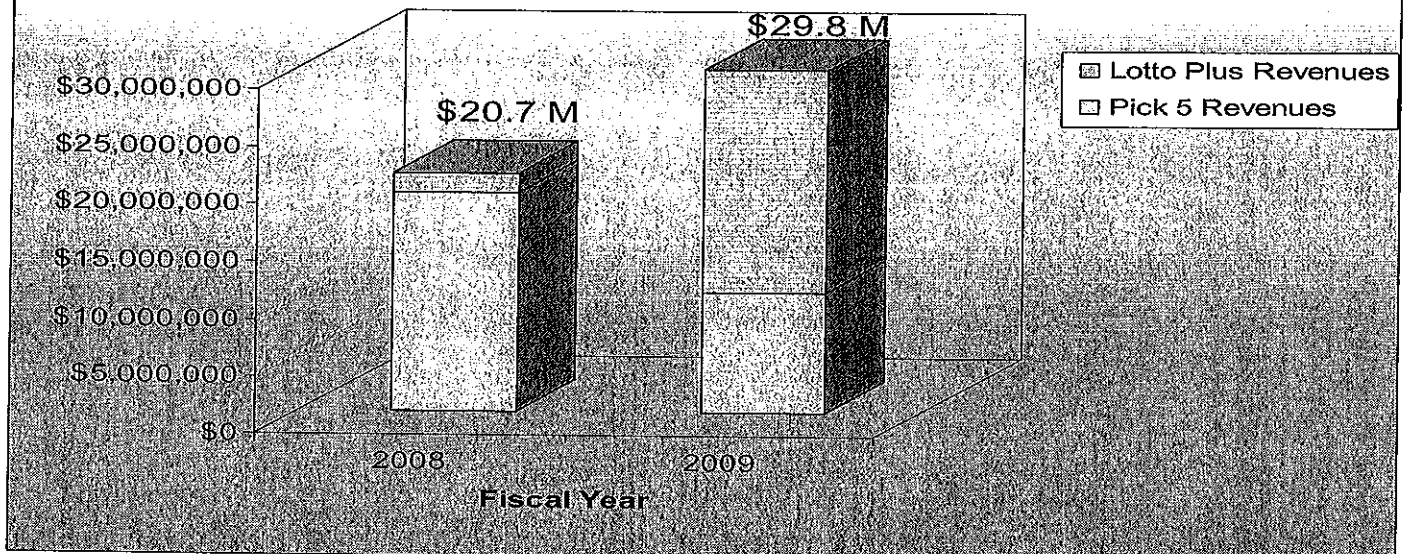
**TENNESSEE EDUCATION LOTTERY CORPORATION  
SALES BY PRODUCT  
FOR THE FISCAL YEAR TO DATE AS OF MARCH 31, 2009**



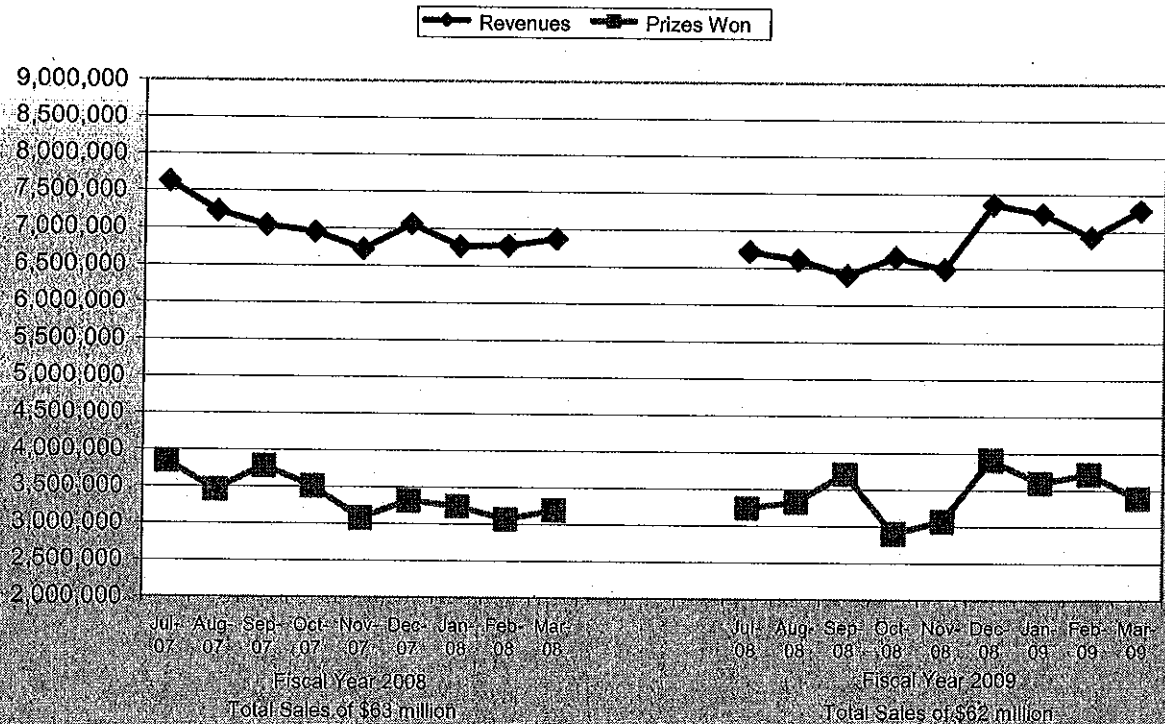
**Tennessee Education Lottery  
Comparison of Powerball Jackpots to Powerball Sales  
for  
Fiscal Year to Date at March 31, 2008 and 2009**



**Tennessee Education Lottery  
Combined Gross Revenues for Pick 5 and Lotto Plus  
Fiscal Year to date as of March 31, 2008 and 2009**



**Tennessee Education Lottery  
Comparing Cash 3 and Cash 4 Revenues to Prizes Won  
July - Mar Fiscal Year 2008 & Fiscal Year 2009**



## **Significant Factors Impacting Fiscal Year 2009 Projections:**

### **All Games**

- Total sales at March 31, 2009 are \$807.9 million, compared to prior year of \$802.5 million.
- Sales of all in-state games, as of March 31, 2009, exceed the prior year by \$29.8 million.
- Sales of the multi-state jackpot-based game (Powerball) lag the prior year by \$24.4 million.

### **Instant Games**

- Sales year to date as of March 31, 2009 exceed prior year sales by \$ 26.9 million.
- Instant Sales since the introduction of Tennessee Millionaires Club game in February 2009 has averaged \$19.9 million weekly, compared to the weekly average for the first seven months of \$14.6 million weekly.
- We anticipate sales to trend down slightly during the 4<sup>th</sup> quarter of the fiscal year as has occurred in prior fiscal years.

### **Powerball**

- Sales are significantly impacted by the size of jackpots.
- As of March 31, 2009, we had one (1) jackpot cycle of \$200 million compared to cycles of \$300 million and \$275 million in the prior year through March 31, 2008.
- We also are experiencing some jackpot fatigue with players.
- Factors impacting Powerball projections for the remainder of Fiscal Year 2009:
  - The entrance of Florida in January 2009 should contribute to faster jackpot growth.
  - A matrix change in January 2009 is expected to improve the average jackpot win to \$147 million, compared to the previous average win of \$97 million.

### **Cash 3 and Cash 4**

- Combined sales for Cash 3 and Cash 4 as of March 31, 2009 were \$61.6 million, compared to \$63 million at March 31, 2008.
- Sales of both games are directly impacted by the prizes won within the games. Sales generally trend similarly with prize payouts over time.
- TEL introduced an additional play feature in December 2008 called LUCKY SUM. This feature gives players an additional opportunity to win if the sum of the winning numbers drawn match the numbers selected by the player. Since introduction of this additional feature, combined sales for both games have increased approximately 10% compared to the 8-week period prior to November 2008.
- Current sales trend for the combined games indicate sales in the current fiscal year will be consistent with the prior fiscal year.

### **Lotto Plus and Pick 5**

- Combined sales of both games at March 31, 2009 were \$29.8 million, compared to prior year sales of \$20.7 million.
- Both games have similar play features, with each having a rolling jackpot prize. As the jackpot increases during a jackpot cycle, sales per drawing generally increase over the cycle.

### **HotTrax Champions**

- The game was discontinued on December 31, 2008 due to declining sales and limited retailer support.

## Direct Gaming-Related Expenses

- Aggregate Prize Expense for Instant Games estimated at **66.5 %**
- Aggregate Prize Expense for Online Games estimated at **50.5 %**
- Aggregate Prize Expense for All Games estimated at **62.0 %**
- Retailer sales commissions Sales of both games are directly impacted by the prizes won within the games. Sales generally trend similarly with prize payouts over time.
- are **6.5%** of gross sales
- Gaming vendors' fees are a percentage of sales per the terms of each contract. The percentages are approximately **2.3%** on instant tickets and **1.2%** for online games.

## Non-Direct Expenses

- Advertising is estimated not to exceed \$10.7 million, or **1.0%** of estimated gross sales
- Other Gaming is estimated not to exceed \$ 3.1 million, or **0.3%** of estimated gross sales
- General and Administrative is estimated at \$16.4 million, or **1.5%** of estimated gross sales

### **TENNESSEE EDUCATION LOTTERY CORPORATION ESTIMATION OF TOTAL AND NET LOTTERY PROCEEDS FOR FISCAL YEAR ENDING JUNE 30, 2010**

	<b>Projected Fiscal Year 2010</b>
<b>Gross Revenues</b>	<b>\$1.091 - \$1.127 Billion</b>
<b>Total Proceeds</b>	<b>\$1.024 - \$1.059 Billion</b>
<b>Lottery for Education Account</b>	<b>\$262 - \$272 Million</b>
<b>After-School Programs Special Account</b>	<b>\$13 - \$14 Million</b>
<b>Total Education Funding</b>	<b>\$275 - \$286 Million</b>

Based on the current economic climate, we are projecting no growth in the education proceeds for Fiscal Year 2010 compared to Fiscal Year 2009.

We will continue to monitor and evaluate the changing economic conditions impacting our retail customers and our playing public, and seek to adjust our operating strategy as needed to maximum the dollars generated for the education programs funded with lottery proceeds.